



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ELLIOTT COUNTY CLERK**

**July 1, 1998 through December 31, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**ELLIOTT COUNTY**  
**REEDA ISON, COUNTY CLERK**  
**JULY 1, 1998 THROUGH DECEMBER 31, 1998**  
**FEE AUDIT**

Audit was conducted for the period July 1, 1998 through December 31, 1998. Adequate records had been kept by the clerk; however, two (2) noncompliances were found. They were:

The County Clerk Did Not Publish Her Annual Settlement

The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

**Excess Fees:**

The County Clerk paid \$2,504 to the fiscal court as excess fees and is due a refund of \$363. When refunded, the County Clerk should receive \$363 in additional salary for 1998.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles Pennington, Elliott County Judge/Executive

Honorable Reeda Ison, Elliott County Clerk

Members of the Elliott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Elliott County, Kentucky, for the period July 1, 1998 through December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the period July 1, 1998 through December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Charles Pennington, Elliott County Judge/Executive  
Honorable Reeda Ison, Elliott County Clerk  
Members of the Elliott County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance.

- County Clerk Did Not Publish Her Annual Settlement
- County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 19, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 19, 2000



ELLIOTT COUNTY  
 REEDA ISON, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

July 1, 1998 through December 31, 1998

Receipts

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 43,357

Usage Tax 78,068

Tangible Personal Property Tax 102,753

Licenses-

Marriage 1,173

Deed Transfer Tax 2,877

Delinquent Tax 11,853 \$ 240,081

Fees Collected for Services:

Recordings-

Deeds, Easements and Contracts \$ 2,432

Real Estate Mortgages 1,947

Chattel Mortgages and Financing Statements 10,944

Powers of Attorney 122

All Other Recordings 8,655 24,100

Gross Receipts \$ 264,181

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 30,459

Usage Tax 73,369

Tangible Personal Property Tax 36,861

Licenses-

Delinquent Tax 1,455

Legal Process Tax 2,752 \$ 144,896

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 12,765

Delinquent Tax 1,213

Deed Transfer Tax 2,757

Miscellaneous 2,221 18,956

ELLIOTT COUNTY  
 REEDA ISON, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 July 1, 1998 through December 31, 1998  
 (Continued)

Disbursements (Continued)

Payments to Other Districts:

Tangible Personal Property Tax	\$	49,180	
Delinquent Tax		<u>4,881</u>	\$ 54,061

Payments to Sheriff 733

Payments to County Attorney 1,285

Operating Disbursements:

Personnel Services-			
Deputies Salaries	\$	6,458	
Part-Time Salaries		2,908	
Employee Benefits-			
Employer's Paid Health Insurance		1,929	
Supplies and Materials-			
Office Supplies		2,650	
Other Charges-			
Printing Tax Bills		1,152	
Postage		<u>849</u>	<u>15,946</u>

Total Disbursements \$ 235,877

Net Receipts \$ 28,304

Less: Statutory Maximum (6 months) 24,363

Excess Fees \$ 3,941

Less: Expense Allowance (6 months) 1,800

Excess Fees Due County For July 1, 1998 Through December 31, 1998 \$ 2,141

Payment to County Treasurer - May 12, 1999 2,504

Refund Due County Clerk \$ (363)

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1998  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should have pledged or provided sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk met the requirements stated above, and as of November 6, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

## COMMENTS AND RECOMMENDATIONS



ELLIOTT COUNTY  
REEDA ISON, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

July 1, 1998 through December 31, 1998

STATE LAWS AND REGULATIONS:

1) County Clerk Did Not Publish Her Annual Settlement

The County Clerk did not publish her annual settlement. KRS 424.220 requires the annual settlement to be published within 60 days after the close of the calendar year or publish an audit prepared pursuant to KRS 43.070 or 64.810. We recommend the County Clerk publish her annual settlement within 60 days after the close of the calendar year.

*County Clerk's Response:*

*I didn't realize I was supposed to because I didn't have training. When I did find out it was too late to do it.*

2) County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

The County Clerk did not present her annual settlement to the Fiscal Court. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 of each year. We recommend the County Clerk present her settlement to the fiscal court and pay all excess fees by March 15 of each year.

*County Clerk's Response:*

*I didn't realize I was supposed to because I didn't have training. When I did find out it was too late to do it.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Charles Pennington, Elliott County Judge/Executive  
Honorable Reeda Ison, Elliott County Clerk  
Members of the Elliott County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Elliott County Clerk for the period July 1, 1998 through December 31, 1998, and have issued our report thereon dated July 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Elliott County Clerk's financial statement for the period July 1, 1998 through December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elliott County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Charles Pennington, Elliott County Judge/Executive  
Honorable Reeda Ison, Elliott County Clerk  
Members of the Elliott County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 19, 2000

